Press Release

October 29, 2021

Signify reports third quarter sales of EUR 1.6 billion, operational profitability of 11.1% and a free cash flow of EUR 85 million

Third quarter 2021[1]

- Signify's installed base of connected light points increased from 86 million in Q2 21 to 92 million in Q3 21
- Sales of EUR 1,643 million; Comparable Sales Growth of -4.8%, impacted by global supply chain disruptions
- Order book increased by 90% in Q3 21 vs. Q3 20
- LED-based sales represented 83% of total sales (Q3 20: 82%)
- Adj. EBITA margin of 11.1% (Q3 20: 11.5%)
- Net income of EUR 94 million (Q3 20: EUR 90 million)
- Free cash flow of EUR 85 million (Q3 20: EUR 214 million)
- Net debt/EBITDA ratio of 1.8x (Q3 20: 2.2x)

Eindhoven, the Netherlands – Signify (Euronext: LIGHT), the world leader in lighting, today announced the company's third quarter 2021 results.

"I am encouraged by the strong demand for connected lighting and the performance of our growth platforms in what has been a particularly disrupted external environment this quarter. This is evidenced by a healthy order book, which increased by 90% in comparison to the same period last year. At the same time, global supply chain issues caused by component shortages and logistics challenges impaired our ability to meet the high demand. We swiftly took multiple mitigating actions, while simultaneously managing our prices to offset the structural part of the inflation. These actions have enabled us to deliver a double digit adjusted EBITA margin, while continuing to invest in our digital initiatives," said Eric Rondolat, CEO of Signify.

"With the understanding we have today of the external uncertainties for Q4, we are set to achieve the lower end of our 2021 guidance range. We have the plans in place to deliver backlog orders and minimize disruption to our customers. We believe that these unprecedented supply chain issues are transitory and are confident in our ability to convert demand into sales growth as the situation stabilizes. The fundamentals of our business are stronger than ever, driven by the ever-growing need for energy-efficient and digital lighting technologies."

[1]*This press release contains certain non-IFRS financial measures and ratios, such as comparable sales growth, EBITA, adjusted EBITA and free cash flow, and related ratios, which are not recognized measures of financial performance or liquidity under IFRS. For a reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures, see appendix B, Reconciliation of non-IFRS financial measures, of this press release.*

Brighter Lives, Better World 2025

In the third quarter of the year, Signify celebrated one year of carbon neutrality in its operations and has continued to progress on all of the Brighter Lives, Better World 2025 sustainability program commitments:

- **Double the pace of the Paris agreement:**
  Cumulative carbon reduction over value chain was 48 million tonnes, ahead of track. This was mainly achieved by an accelerated shift to energy-efficient and connected LED lighting in the first three quarters of 2021, thereby decreasing Signify's carbon emissions in the use phase.
- **Double our circular revenues to 32%:**
  Circular revenues increased to 24%, compared with the 2019 baseline of 16%. Signify is on track for the 2025 target of 32%. This is mainly driven by the strong portfolio of serviceable luminaires and the further expansion of both the home luminaire and modular businesses.
- **Double our brighter lives revenues to 32%:**
  Brighter lives revenues were 26%, making good progress towards the 2025 target of 32%. This positive trend can be explained by a strong contribution of the wellbeing portfolio, including 'quality of light' EyeComfort, Hue and WiZ products.
- **Double the percentage of women in leadership to 34%:**
  The percentage of women in leadership positions was 25%, stable compared with last quarter, while slightly below our 2021 intermediary step to reach the 2025 target of 34%. In Q3, Signify signed the UN Women Empowerment Principles to emphasize its commitment to gender equality and it continued to diversify the talent pipeline while ensuring equal opportunities, fairness and impartiality for all.

Outlook

Signify expects that electronic components shortages and logistics disruptions will continue to have an impact over the coming months. As a result, and with no further deterioration of the supply chain, the company expects to end at the lower end of its 2021 guidance ranges of 3-6% comparable sales growth, an adj. EBITA margin of 11.5-12.5% and free cash flow exceeding 8% of sales.

Financial review

Third quarter				Nine months		
2020	2021	change	*in millions of EUR, except percentages*	2020*	2021	change
		-4.8%	**Comparable sales growth**			**3.6%**
		-0.3%	*Effects of currency movements*			*-3.6%*
		0.1%	*Consolidation and other changes*			*4.9%*
1,728	**1,643**	-4.9%	**Sales**	**4,624**	**4,852**	4.9%
689	634	-8.1%	Adjusted gross margin	1,801	1,909	6.0%
39.9%	**38.6%**		**Adj. gross margin (as % of sales)**	**39.0%**	**39.3%**	
-443	-415		Adj. SG&A expenses	-1,237	-1,262	
-77	-68		Adj. R&D expenses	-211	-210	
-520	-483	7.1%	Adj. indirect costs	-1,448	-1,473	-1.7%
30.1%	**29.4%**		**Adj. indirect costs (as % of sales)**	**31.3%**	**30.4%**	
199	182	-8.4%	Adjusted EBITA	444	530	19.3%
11.5%	**11.1%**		**Adjusted EBITA margin**	**9.6%**	**10.9%**	
-38	-34		Adjusted items	-93	-130	
161	149	-7.8%	EBITA	351	399	13.9%
131	**118**	**-9.9%**	**Income from operations (EBIT)**	**261**	**309**	**18.3%**
-16	-4		Net financial income/expense	-42	-20	
-25	-20		Income tax expense	-21	-52	
90	**94**	**4.8%**	**Net income**	**198**	**236**	**19.3%**
214	85		Free cash flow	484	357	
0.67	0.72		Basic EPS (€)	1.53	1.84	
37,057	37,069		Employees (FTE)	37,057	37,069	

** For comparability purposes, note that figures for the period only include results of Cooper Lighting since March 2020.*

Third quarter

In an environment which was hampered by supply chain disruptions, total sales declined by 4.9% to EUR 1,643 million and comparable sales decreased by 4.8%. Given its international production footprint and supplier base, Signify has been materially exposed to the global shortage of electronic components, regional lockdowns and global logistics challenges, including container shortages and port congestions. These disruptions negatively impacted our top line by more than EUR 100 million during the quarter, mainly affecting the Digital Solutions and Digital Products divisions.

The adjusted gross margin decreased by 130 bps to 38.6%. While pricing and positive sales mix compensated for structural input cost inflation, the decrease was mainly attributable to transitory effects caused by higher logistics costs and occasional spot buys of components. Adjusted indirect costs decreased by EUR 37 million, driven by structural cost savings and one-off effects in the previous year, including provisions for the reimbursement of solidarity contributions to employees.

Adjusted EBITA was EUR 182 million, an 8.4% decrease compared with last year. The Adjusted EBITA margin remained strong at 11.1%, as the lower gross margin was largely offset by indirect cost savings, despite continued investments in digital initiatives.

Total restructuring costs were EUR 19 million, acquisition-related charges were EUR 10 million and other incidental costs were EUR 5 million. Net income increased to EUR 94 million as lower income from operations was more than compensated by lower financial expenses and a lower income tax expense.

Digital Solutions

Third quarter 2020	2021	change	*in millions of EUR, unless otherwise indicated*	Nine months 2020*	2021	change
		-7.3%	Comparable sales growth			0.5%
916	848	-7.4%	Sales	2,336	2,479	6.1%
107	89	-16.7%	Adjusted EBITA	225	250	11.1%
11.7%	10.5%		Adjusted EBITA margin	9.6%	10.1%	
78	68	-12.4%	EBITA	155	189	21.4%
50	40	-20.3%	Income from operations (EBIT)	72	104	44.0%

** For comparability purposes, note that figures for the period only include results of Cooper Lighting since March 2020.*

Third quarter
Sales decreased by 7.4% to EUR 848 million, with a comparable sales decline of 7.3%, largely due to component shortages and shipping delays across most geographies. Adjusted EBITA decreased to EUR 89 million with an Adjusted EBITA margin of 10.5%, which was impacted by increased input and logistics costs, a lower fixed costs absorption, partly offset by indirect cost savings.

Digital Products

Third quarter 2020	2021	change	*in millions of EUR, unless otherwise indicated*	Nine months 2020	2021	change
		2.5%	Comparable sales growth			12.2%
575	588	2.1%	Sales	1,577	1,715	8.8%
76	76	1.0%	Adjusted EBITA	167	224	34.4%
13.1%	13.0%		Adjusted EBITA margin	10.6%	13.1%	
73	73	0.4%	EBITA	154	212	37.1%
71	72	0.5%	Income from operations (EBIT)	149	206	38.8%

Third quarter
Sales increased by 2.1% to EUR 588 million, with a comparable sales growth of 2.5%. During the quarter, most segments continued to grow despite supply chain constraints. Demand for connected products remained strong in most geographies but was hampered by these constraints. The Adjusted EBITA margin of 13.0% was broadly in line with last year, as the positive effect of sales mix and price increases was offset by higher COGS and increased marketing costs.

Conventional Products

Third quarter 2020	2021	change	*in millions of EUR, unless otherwise indicated*	Nine months 2020	2021	change
		-13.2%	Comparable sales growth			-5.3%
233	202	-13.3%	Sales	701	642	-8.4%
42	38	-9.2%	Adjusted EBITA	124	124	0.3%
17.9%	18.8%		Adjusted EBITA margin	17.7%	19.4%	
35	32	-8.0%	EBITA	119	121	1.4%
35	32	-8.0%	Income from operations (EBIT)	119	121	1.4%

Third quarter
Sales decreased by 13.3% to EUR 202 million, a comparable decline of 13.2%. The Adjusted EBITA margin increased by 90 bps to 18.8%, mainly driven by strong pricing power and operational efficiencies.

Other

Third quarter

'Other' represents amounts not allocated to the operating segments and includes costs related both to central R&D activities to drive innovation, and to group enabling functions. Adjusted EBITA was EUR -21 million (Q3 20: EUR -26 million) and EBITA was EUR -26 million (Q3 20: EUR -25 million). Restructuring costs and other incidentals were EUR 5 million (Q3 20: EUR 0 million) during the quarter.

Sales by market

Third quarter					Nine months			
2020	2021	Change	CSG	*in millions of EUR, except percentages*	2020	2021	change	CSG
525	465	-11.4%	-11.4%	Europe	1,433	1,464	2.2%	2.9%
668	637	-4.6%	-3.0%	Americas	1,772	1,848	4.3%	-0.8%
407	401	-1.3%	-2.3%	Rest of the world	1,054	1,148	8.9%	12.2%
128	140	9.0%	4.9%	Global businesses	365	391	7.1%	5.0%
1,728	**1,643**	**-4.9%**	**-4.8%**	**Total**	**4,624**	**4,852**	**4.9%**	**3.6%**

Americas includes Cooper Lighting from March 1, 2020, and Global businesses includes Klite
Wiz Connected is included in Market Groups Europe, Americas and Rest of the world (was previously part of Global businesses)

Third quarter

In the third quarter, most markets were impacted by global supply chain disruptions caused by component shortages, container shortages and other logistics challenges. These supply chain disruptions and a higher base of comparison resulted in a comparable sales decline of 11.4% in Europe. In the Americas, comparable sales declined by 3.0%. In the Rest of the world comparable sales declined by 2.3%.

Working capital

in millions of EUR, unless otherwise indicated	30 Sep, 2020	30 Jun, 2021	30 Sep, 2021
Inventories	1,000	1,120	1,301
Trade and other receivables	1,155	1,056	1,069
Trade and other payables	-1,749	-1,935	-2,064
Other working capital items	37	29	9
Working capital	**443**	**269**	**316**
As % of LTM* sales	7.0%	4.0%	4.7%

* *LTM: Last Twelve Months*

Third quarter

Working capital decreased by EUR 127 million year on year to EUR 316 million and improved by 230 bps to 4.7% as a percentage of last twelve-month sales. When including last twelve-month sales pro forma for Cooper Lighting and Klite, the improvement was 170 bps. The lower year-on-year working capital was driven by higher payables, lower receivables and lower other working capital items, which more than offset the temporary increase of goods-in-transit inventories due to shipment delays.

Cash flow analysis

Third quarter		in millions of EUR	Nine months	
2020	2021		2020	2021
131	118	Income from operations (EBIT)	261	309
82	77	Depreciation and amortization	245	235
40	32	Additions to (releases of) provisions	97	121
-40	-58	Utilizations of provisions	-138	-155
46	-66	Change in working capital	120	-39
-4	1	Net interest and financing costs received (paid)	-27	-28
-23	-14	Income taxes paid	-51	-45
-26	-15	Net capex	-47	-61
9	10	Other	24	20
214	**85**	**Free cash flow**	**484**	**357**

Third quarter
Free cash flow of EUR 85 million was EUR 129 million lower than last year as a result of lower income from operations and an increase of working capital compared with Q2 2021. Last year, Q3 free cash flow benefited from structural working capital improvements versus Q2, while this year Q3 free cash flow is negatively impacted versus Q2 by higher goods-in-transit inventories caused by significant shipment delays. Free cash flow included a restructuring payout of EUR 26 million (Q3 20: EUR 11 million).

Net debt and total equity

in millions of EUR	30 Sep, 2020	30 Jun, 2021	30 Sep, 2021
Short-term debt	100	427	422
Long-term debt	2,251	1,893	1,916
Gross debt	2,351	2,320	2,338
Cash and cash equivalents	762	945	927
Net debt	**1,589**	**1,375**	**1,411**
Total equity	**2,295**	**2,149**	**2,295**

Third quarter
Our cash position decreased by EUR 18 million to EUR 927 million compared with the end of June 2021. Net debt amounted to EUR 1,411 million, an increase of EUR 36 million compared with the end of June 2021, driven by higher gross debt and a lower cash position. Net leverage improved from 2.2x at the end of September 2020, to 1.8x at the end of September 2021. Total equity increased to EUR 2,295 million at the end of the third quarter (Q2 21: EUR 2,149 million), reflecting the net income and currency translation results.

Other information

Appendix A – Selection of financial statements
Appendix B – Reconciliation of non-IFRS financial measures
Appendix C – Financial Glossary

Conference call and audio webcast
Eric Rondolat (CEO) and Javier van Engelen (CFO) will host a conference call for analysts and institutional investors at 9:00 a.m. CET to discuss the 2021 third quarter results. A live audio webcast of the conference call will be available via the Investor Relations website.

Financial calendar 2021

January 28, 2022	Fourth quarter and full year results 2021
February 22, 2022	Annual Report 2021

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About Signify
Signify (Euronext: LIGHT) is the world leader in lighting for professionals and consumers and lighting for the Internet of Things. Our Philips products, Interact connected lighting systems and data-enabled services, deliver business value and transform life in homes, buildings and public spaces. With 2020 sales of EUR 6.5 billion, we have approximately 37,000 employees and are present in over 70 countries. We unlock the extraordinary potential of light for brighter lives and a better world. We achieved carbon neutrality in 2020, have been in the Dow Jones Sustainability World Index since our IPO for four consecutive years and were named Industry Leader in 2017, 2018 and 2019. News from Signify is located at the Newsroom, Twitter, LinkedIn and Instagram. Information for investors can be found on the Investor Relations page.

Important Information

Forward-Looking Statements and Risks & Uncertainties
This document and the related oral presentation contain, and responses to questions following the presentation may contain, forward-looking statements that reflect the intentions, beliefs or current expectations and projections of Signify N.V. (the "Company", and together with its subsidiaries, the "Group"), including statements regarding strategy, estimates of sales growth and future operational results.

By their nature, these statements involve risks and uncertainties facing the Company and its Group companies, and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties. Such risks, uncertainties and other important factors include but are not limited to: adverse economic and political developments, the impacts of COVID-19, rapid technological change, competition in the general lighting market, development of lighting systems and services, successful implementation of business transformation programs, impact of acquisitions and other transactions, reputational and adverse effects on business due to activities in Environment, Health & Safety, compliance risks, ability to attract and retain talented personnel, adverse currency effects, pension liabilities, and exposure to international tax laws. Please see "Risk Factors and Risk Management" in Chapter 12 of the Annual Report 2020 for discussion of material risks, uncertainties and other important factors which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group. Such risks, uncertainties and other important factors should be read in conjunction with the information included in the Company's Annual Report 2020 and Semi-Annual Report 2021.

Additional risks currently not known to the Group or that the Group has not considered material as of the date of this document could also prove to be important and may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group or could cause the forward-looking events discussed in this document not to occur. The Group undertakes no duty to and will not necessarily update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law.

Market and Industry Information
All references to market share, market data, industry statistics and industry forecasts in this document consist of estimates compiled by industry professionals, competitors, organizations or analysts, of publicly available information or of the Group's own assessment of its sales and markets. Rankings are based on sales unless otherwise stated.

Non-IFRS Financial Measures
Certain parts of this document contain non-IFRS financial measures and ratios, such as comparable sales growth, adjusted gross margin, EBITA, adjusted EBITA, and free cash flow, and other related ratios, which are not recognized measures of financial performance or liquidity under IFRS. The non-IFRS financial measures presented are measures used by management to monitor the underlying performance of the Group's business and operations and, accordingly, they have not been audited or reviewed. Not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis and these measures and ratios may not be comparable to measures used by other companies under the same or similar names. A reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures is contained in this document. For further information on non-IFRS financial measures, see "Chapter 18 Reconciliation of non-IFRS measures" in the Annual Report 2020.

Presentation
All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up to totals provided. All reported data are unaudited. Unless otherwise indicated, financial information has been prepared in accordance with the accounting policies as stated in the Annual Report 2020 and Semi-Annual Report 2021.

Market Abuse Regulation
This press release contains information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

I Condensed consolidated financial statements

I.I Condensed consolidated statement of income

In millions of EUR unless otherwise stated

	Third quarter		January to September	
	2020	**2021**	**2020**	**2021**
Sales	1,728	1,643	4,624	4,852
Cost of sales	(1,060)	(1,025)	(2,855)	(2,974)
Gross margin	**668**	**618**	**1,768**	**1,878**
Selling, general and administrative expenses	(458)	(434)	(1,296)	(1,372)
Research and development expenses	(80)	(68)	(216)	(210)
Impairment of goodwill	–	–	–	–
Other business income	4	2	9	19
Other business expenses	(2)	(1)	(5)	(5)
Income from operations	**131**	**118**	**261**	**309**
Financial income	4	9	13	22
Financial expenses	(20)	(13)	(55)	(43)
Results relating to investments in associates	–	–	–	–
Income before taxes	**115**	**114**	**219**	**288**
Income tax expense	(25)	(20)	(21)	(52)
Net income	**90**	**94**	**198**	**236**
Attribution of net income for the period:				
Net income (loss) attributable to shareholders of Signify N.V.	85	90	194	230
Net income (loss) attributable to non-controlling interests	5	4	4	6

Amounts may not add up due to rounding.

I.2 Condensed consolidated statement of comprehensive income

In millions of EUR

	Third quarter		January to September	
	2020	2021	2020	2021
Net income (loss)	**90**	**94**	**198**	**236**
Pensions and other post-employment plans:				
Remeasurements	(5)	–	(5)	–
Income tax effect on remeasurements	–	–	–	–
Total of items that will not be reclassified to profit or loss	**(5)**	**–**	**(5)**	**–**
Currency translation differences:				
Net current period change, before tax	(139)	64	(251)	177
Income tax effect	–	–	–	–
Net investment hedge				
Net current period change, before tax	16	(5)	22	(17)
Income tax effect	–	–	–	–
Cash flow hedges:				
Net current period change, before tax	19	(9)	24	(22)
Income tax effect	(4)	2	(5)	5
Total of items that are or may be reclassified to profit or loss	**(108)**	**51**	**(210)**	**143**
Other comprehensive income (loss)	**(113)**	**51**	**(216)**	**143**
Total comprehensive income (loss)	**(23)**	**146**	**(18)**	**380**
Total comprehensive income (loss) attributable to:				
Shareholders of Signify N.V.	(26)	139	(18)	366
Non-controlling interests	3	7	–	14

Amounts may not add up due to rounding.

I.3 Condensed consolidated statement of financial position

In millions of EUR

	December 31, 2020	September 30, 2021
Non-current assets		
Property, plant and equipment	708	714
Goodwill	2,251	2,391
Intangible assets, other than goodwill	775	733
Investments in associates	12	12
Financial assets	55	50
Deferred tax assets	473	465
Other assets	60	66
Total non-current assets	**4,334**	**4,431**
Current assets		
Inventories	885	1,301
Other assets	171	220
Derivative financial assets	104	50
Income tax receivable	39	41
Trade and other receivables	1,140	1,069
Cash and cash equivalents	1,033	927
Assets classified as held for sale	3	–
Total current assets	**3,376**	**3,609**
Total assets	**7,710**	**8,040**
Equity		
Shareholders' equity	2,196	2,165
Non-controlling interests	124	130
Total equity	**2,321**	**2,295**
Non-current liabilities		
Debt	2,221	1,916
Post-employment benefits	390	382
Provisions	224	228
Deferred tax liabilities	22	23
Income tax payable	108	103
Other liabilities	159	172
Total non-current liabilities	**3,123**	**2,823**
Current liabilities		
Debt, including bank overdrafts	86	422
Derivative financial liabilities	44	29
Income tax payable	20	20
Trade and other payables	1,731	2,064
Provisions	172	155
Other liabilities	213	232
Liabilities from assets classified as held for sale	–	–
Total current liabilities	**2,266**	**2,922**
Total liabilities and total equity	**7,710**	**8,040**

Amounts may not add up due to rounding.

1.4 Condensed consolidated statement of cash flows

In millions of EUR

	Third quarter		January to September	
	2020	2021	2020	2021
Cash flows from operating activities				
Net income (loss)	90	94	198	236
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	169	137	423	432
• Depreciation, amortization and impairment of non-financial assets	82	77	245	235
• Impairment (reversal) of goodwill, other non-current financial assets and investments in associates	–	–	–	–
• Net gain on sale of assets	–	(2)	(1)	(13)
• Net interest expense on debt, borrowings and other liabilities	9	6	24	20
• Income tax expense	25	20	21	52
• Additions to (releases of) provisions	35	28	82	108
• Additions to (releases of) post-employment benefits	4	4	15	13
• Other items	14	4	37	17
Decrease (increase) in working capital:	46	(66)	120	(39)
• Decrease (increase) in trade and other receivables	(91)	4	214	100
• Decrease (increase) in inventories	5	(167)	(52)	(379)
• Increase (decrease) in trade and other payables	124	91	(78)	270
• Increase (decrease) in other current assets and liabilities	8	7	36	(30)
Increase (decrease) in other non-current assets and liabilities	1	6	7	17
Utilizations of provisions	(32)	(48)	(114)	(130)
Utilizations of post-employment benefits	(8)	(10)	(24)	(25)
Net interest and financing costs received (paid)	(4)	1	(27)	(28)
Income taxes paid	(23)	(14)	(51)	(45)
Net cash provided by (used for) operating activities	**240**	**100**	**532**	**418**
Cash flows from investing activities				
Net capital expenditures:	(26)	(15)	(47)	(61)
• Additions of intangible assets	(10)	(6)	(23)	(22)
• Capital expenditures on property, plant and equipment	(17)	(17)	(45)	(61)
• Proceeds from disposal of property, plant and equipment	1	8	21	22
Net proceeds from (cash used for) derivatives and other financial assets	(36)	4	(29)	21
Purchases of businesses, net of cash acquired	(11)	(24)	(1,285)	(24)
Proceeds from sale of businesses, net of cash disposed of	–	–	2	–
Net cash provided by (used for) investing activities	**(73)**	**(36)**	**(1,360)**	**(64)**
Cash flows from financing activities				
Dividend paid	–	(57)	–	(351)
Proceeds from issuance of debt	1	–	3,737	350
Repayment of debt	(369)	(19)	(2,898)	(410)
Purchase of treasury shares	(32)	(19)	(38)	(92)
Net cash provided by (used for) financing activities	**(400)**	**(96)**	**801**	**(503)**
Net cash flows	**(233)**	**(31)**	**(28)**	**(149)**
Effect of changes in exchange rates on cash and cash equivalents and bank overdrafts	(28)	15	(56)	45
Cash and cash equivalents and bank overdrafts at the beginning of the period [1]	1,016	943	840	1,030
Cash and cash equivalents and bank overdrafts at the end of the period [2]	**756**	**926**	**756**	**926**

1 For Q3 2021 and Q3 2020, included bank overdrafts of EUR 2 million and EUR 10 million, respectively. For January to September of 2021 and 2020, included bank overdrafts of EUR 3 million and EUR 7 million, respectively.

2 Included bank overdrafts of EUR 1 million and EUR 6 million as at September 30, 2021 and 2020, respectively.

Amounts may not add up due to rounding.

Appendix B - Reconciliation of non-IFRS financial measures

Sales growth composition per business in %

	Third quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2021 vs 2020				
Digital Solutions	(7.3)	(0.3)	0.3	(7.4)
Digital Products	2.5	(0.3)	0.0	2.1
Conventional Products	(13.2)	(0.2)	0.0	(13.3)
Total	**(4.8)**	**(0.3)**	**0.1**	**(4.9)**

	January to September			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2021 vs 2020				
Digital Solutions	0.5	(3.9)	9.5	6.1
Digital Products	12.2	(3.2)	(0.2)	8.8
Conventional Products	(5.3)	(3.1)	0.0	(8.4)
Total	**3.6**	**(3.6)**	**4.9**	**4.9**

Sales growth composition per market in %

	Third quarter			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2021 vs 2020				
Europe	(11.4)	0.1	(0.1)	(11.4)
Americas	(3.0)	(1.1)	(0.6)	(4.6)
Rest of the world	(2.3)	0.8	0.1	(1.3)
Global businesses	4.9	(1.3)	5.4	9.0
Total	**(4.8)**	**(0.3)**	**0.1**	**(4.9)**

	January to September			
	Comparable growth	Currency effects	Consolidation and other changes	Nominal growth
2021 vs 2020				
Europe	2.9	(0.5)	(0.1)	2.2
Americas	(0.8)	(6.1)	11.2	4.3
Rest of the world	12.2	(3.4)	0.1	8.9
Global businesses	5.0	(1.9)	4.0	7.1
Total	**3.6**	**(3.6)**	**4.9**	**4.9**

Amounts may not add up due to rounding.

Adjusted EBITA to Income from operations (or EBIT) in millions of EUR

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
Third quarter 2021					
Adjusted EBITA	182	89	76	38	(21)
Restructuring	(19)	(9)	(1)	(5)	(5)
Acquisition-related charges	(10)	(9)	–	–	–
Incidental items	(5)	(3)	(2)	(1)	1
EBITA	**149**	**68**	**73**	**32**	**(26)**
Amortization [1]	(31)	(29)	(2)	–	–
Income from operations (or EBIT)	**118**	**40**	**72**	**32**	**(26)**
Third quarter 2020					
Adjusted EBITA	199	107	76	42	(26)
Restructuring	(25)	(14)	(3)	(8)	–
Acquisition-related charges	(14)	(15)	1	–	–
Incidental items	1	(1)	–	1	–
EBITA	**161**	**78**	**73**	**35**	**(25)**
Amortization [1]	(31)	(28)	(2)	–	–
Income from operations (or EBIT)	**131**	**50**	**71**	**35**	**(26)**

[1] Amortization and impairments of acquisition related intangible assets and goodwill.

	Signify	Digital Solutions	Digital Products	Conventional Products	Other
January to September 2021					
Adjusted EBITA	530	250	224	124	(69)
Restructuring	(76)	(16)	(4)	(4)	(52)
Acquisition-related charges	(37)	(36)	(1)	–	–
Incidental items	(17)	(9)	(8)	–	–
EBITA	**399**	**189**	**212**	**121**	**(122)**
Amortization [1]	(91)	(84)	(5)	–	(1)
Income from operations (or EBIT)	**309**	**104**	**206**	**121**	**(123)**
January to September 2020					
Adjusted EBITA	444	225	167	124	(72)
Restructuring	(40)	(19)	(7)	(10)	(4)
Acquisition-related charges	(47)	(46)	(1)	–	–
Incidental items	(7)	(5)	(4)	5	(2)
EBITA	**351**	**155**	**154**	**119**	**(78)**
Amortization [1]	(90)	(83)	(6)	–	(1)
Income from operations (or EBIT)	**261**	**72**	**149**	**119**	**(79)**

[1] Amortization and impairments of acquisition related intangible assets and goodwill.

Amounts may not add up due to rounding.

Third quarter 2021 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition related charges	Incidental items [1]	Adjusted
Third quarter 2021					
Sales	1,643	–	–	–	1,643
Cost of sales	(1,025)	13	2	–	(1,010)
Gross margin	**618**	**13**	**2**	**–**	**634**
Selling, general and administrative expenses	(434)	6	8	4	(415)
Research and development expenses	(68)	–	–	–	(68)
Indirect costs	**(501)**	**6**	**8**	**4**	**(483)**
Impairment of goodwill	–	–	–	–	–
Other business income	2	–		–	2
Other business expenses	(1)	–	–	–	(1)
Income from operations	**118**	**19**	**10**	**5**	**151**
Amortization	(31)	–	–	–	(31)
Income from operations excluding amortization (EBITA)	**149**	**19**	**10**	**5**	**182**
Third quarter 2020					
Sales	1,728	–	–	–	1,728
Cost of sales	(1,060)	20	3	(1)	(1,039)
Gross margin	**668**	**20**	**3**	**(1)**	**689**
Selling, general and administrative expenses	(458)	2	12	1	(443)
Research and development expenses	(80)	3	–	–	(77)
Indirect costs	**(538)**	**5**	**12**	**1**	**(520)**
Impairment of goodwill	–	–	–	–	–
Other business income	4	–	(1)	(1)	1
Other business expenses	(2)	–	–	1	(1)
Income from operations	**131**	**25**	**14**	**(1)**	**168**
Amortization	(31)	–	–	–	(31)
Income from operations excluding amortization (EBITA)	**161**	**25**	**14**	**(1)**	**199**

[1] Incidental items are non-recurring by nature and relate to separation, transformation, net real estate gains, environmental provision for inactive sites and the effect of changes in discount rates on long-term provisions.

Amounts may not add up due to rounding.

January to September 2021 Income from operations to Adjusted EBITA in millions of EUR

	Reported	Restructuring	Acquisition related charges	Incidental items [1]	Adjusted
January to September 2021					
Sales	4,852	—	—	—	4,852
Cost of sales	(2,974)	17	6	8	(2,943)
Gross margin	**1,878**	**17**	**6**	**8**	**1,909**
Selling, general and administrative expenses	(1,372)	58	33	18	(1,262)
Research and development expenses	(210)	0	—	—	(210)
Indirect costs	**(1,582)**	**59**	**33**	**18**	**(1,473)**
Impairment of goodwill	—	—	—	—	—
Other business income	19	—	(2)	(11)	6
Other business expenses	(5)	—	0	2	(4)
Income from operations	**309**	**76**	**37**	**17**	**439**
Amortization	(91)	—	—	—	(91)
Income from operations excluding amortization (EBITA)	**399**	**76**	**37**	**17**	**530**
January to September 2020					
Sales	4,624	—	—	—	4,624
Cost of sales	(2,855)	22	17	(6)	(2,823)
Gross margin	**1,768**	**22**	**17**	**(6)**	**1,801**
Selling, general and administrative expenses	(1,296)	13	31	15	(1,237)
Research and development expenses	(216)	4	—	—	(211)
Indirect costs	**(1,512)**	**17**	**31**	**15**	**(1,448)**
Impairment of goodwill	—	—	—	—	—
Other business income	9	—	(1)	(1)	7
Other business expenses	(5)	—	—	—	(5)
Income from operations	**261**	**40**	**47**	**7**	**354**
Amortization	(90)	—	—	—	(90)
Income from operations excluding amortization (EBITA)	**351**	**40**	**47**	**7**	**444**

[1] Incidental items are non-recurring by nature and relate to separation, transformation, net real estate gains, environmental provision for inactive sites and the effect of changes in discount rates on long-term provisions.

Amounts may not add up due to rounding.

Appendix C – Financial glossary

Acquisition-related charges
Costs that are directly triggered by the acquisition of a company, such as transaction costs, purchase accounting related costs and integration-related expenses.

Adjusted EBITA
EBITA excluding restructuring costs, acquisition-related charges and other incidental charges.

Adjusted EBITA margin
Adjusted EBITA divided by sales to third parties (excluding intersegment).

Adjusted gross margin
Gross margin, excluding restructuring costs, acquisition-related charges and other incidental items attributable to cost of sales.

Adjusted indirect costs
Indirect costs, excluding restructuring costs, acquisition-related charges and other incidental items attributable to indirect costs.

Adjusted R&D expenses
Research and development expenses, excluding restructuring costs, acquisition-related charges and other incidental items attributable to research and development expenses.

Adjusted SG&A expenses
Selling, general and administrative expenses, excluding restructuring costs, acquisition-related charges and other incidental items attributable to selling, general and administrative expenses.

Changes in scope
Consolidation effects related to acquisitions (mainly Cooper Lighting).

Comparable sales growth (CSG)
The period-on-period growth in sales excluding the effects of currency movements and changes in consolidation and other changes.

EBIT
Income from operations.

EBITA
Income from operations excluding amortization and impairment of acquisition related intangible assets and goodwill.

EBITDA
Income from operations excluding depreciation, amortization and impairment of non-financial assets.

Effects of changes in consolidation and other changes
In the event a business is acquired (or divested), the impact of the consolidation (or de-consolidation) on the Group's figures is included (or excluded) in the calculation of the comparable sales growth figures. Other changes include regulatory changes and changes originating from new accounting standards.

Effects of currency movements
Calculated by translating the foreign currency financials of the previous period and the current period into euros at the same average exchange rates.

Employees
Employees of Signify at period end expressed on a full-time equivalent (FTE) basis.

Free cash flow
Net cash provided by operating activities minus net capital expenditures. Free cash flow includes interest paid and income taxes paid.

Gross margin
Sales minus cost of sales.

Incidental charges
Any item with an income statement impact (loss or gain) that is deemed to be both significant and not part of normal business activity. Other incidental items may extend over several quarters within the same financial year.

Indirect costs
The sum of selling, general and administrative expenses and R&D expenses.

Net capital expenditures
Additions of intangible assets, capital expenditures on property, plant and equipment and proceeds from disposal of property, plant and equipment.

Net debt
Short-term debt, long-term debt minus cash and cash equivalents.

Net leverage ratio
The ratio of consolidated reported net debt to consolidated reported EBITDA for the purpose of calculating the financial covenant.

R&D expenses
Research and development expenses.

Restructuring costs
The estimated costs of initiated reorganizations, the most significant of which have been approved by the group, and which generally involve the

realignment of certain parts of the industrial and commercial organization.

SG&A expenses
Selling, general and administrative expenses.

Working capital
The sum of inventories, trade and other receivables, other current assets, derivative financial assets minus the sum of trade and other payables, derivative financial liabilities and other current liabilities (excluding dividend related payables).